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CEO Turnover at a Record High Globally, With More Companies Planning for New Chiefs from Outside the Company

Less than 3% of the 2015 incoming class of CEOs were women according to PwC's Strategy&

In 2015, 17 percent of the largest 2500 public companies in the world changed their CEO, more than in any of the previous 16 years of the CEO Success Study from Strategy&, PwC's strategy consulting business. Over the past several years more big companies have been *deliberately* choosing their new CEO from outside of the company as part of a planned succession, an indication that hiring an outsider has become more of an intentional leadership choice than a necessity.

- Outsiders accounted for 22 percent of all CEOs brought in via a planned succession between 2012-2015, up from 14 percent in 2004-2007
- Almost three-quarters of all outsider CEOs were brought in during planned successions during that same period, up from 43 percent in 2004-2007

The majority of companies have continued to promote insiders to the CEO position and the study authors think this will remain the preferred succession-planning practice (77 percent insiders vs. 23 percent outsiders in 2015). Outsider CEOs have caught up and closed a performance gap that the study previously found between outsider and insider CEOs, possibly strengthening the case for considering a new leader from outside the company.

"Hiring an executive from outside a company to serve as chief executive officer used to be seen as a last resort. That is not the case anymore with the disruptive market-related changes that companies are facing today. While an internal CEO candidate may have an excellent record of achieving the business goals the company has pursued in the past, boards are recognizing that this candidate may lack the skills needed to lead the company through the changes necessary to win in the future," says Per-Ola Karlsson, partner and leader of Strategy&'s organization and leadership practice for PwC Middle East.

2015: Not the Year of the Woman CEO
Globally, the share of incoming women CEOs fell to less than 3 percent in 2015, the lowest percentage since 2011. Just 10 of 359 incoming CEOs in the class of 2015 were women.

The news was even worse in the U.S. and Canada where the share of incoming women CEOs fell for the third year to the lowest in the study's history. Surprisingly, there was just one woman among the total 87 incoming CEOs in the U.S. and Canada last year (1 percent, compared to 4 percent in 2014 and over 7 percent in 2012).

Female CEOs are more often hired from outside the company than male CEOs are. Thirty two percent of all incoming and outgoing female CEOs from 2004-2015 were outsiders compared to just 23 percent of males CEOs.

"That women CEOs are more often hired from the outside may be an indication that companies have not been cultivating enough female senior executives in-house," says DeAnne Aguirre, an advisor to executives on talent and culture with Strategy& and a principal with PwC U.S. "One of the reasons why women may be more likely to be outsiders is that their development is not being recognized within their own organization, and therefore they may be more likely to be attracted away. The fact that more companies are considering outsiders might improve the chances for women CEOs in the future."

More Facts on the Rise of Outsider CEOs:

- Some of the industries that have been experiencing the most disruption are also the ones that have brought in higher-than-average shares of outsiders over the last several years. This includes telecommunications (38% of incoming CEOs from 2012-2015 were outsiders), utilities (32%), healthcare (29%), and energy (28%)
- On the other hand, IT (15%), materials (19%), retail and consumer (19%), and industrials (21%) hired the lowest share of outsiders from 2012-2015.
- From a regional perspective, from 2012-2015, companies headquartered in Western Europe hired outsider CEOs almost twice as frequently as companies headquartered in U.S./Canada (30% vs. 18%, respectively)

"Boards of directors following well thought-through succession plans should have a deep bench of strong, internal candidates. However when the company needs to make transformational changes away from their former strategic and operating plans, boards should factor the outsider option into their succession planning," says Gary Neilson, thought leader on organizational design and leadership with Strategy&, and a principal with PwC U.S. "Outsiders don't have biases and commitments built up over the years, and can make changes more objectively. They also may be able to look at the organization from a broader perspective based on an understanding of what the world will require in the future."

"Whether the new leader comes from inside or outside the organization, companies that plan for CEO succession more carefully are more likely to be better performing companies in general."

To learn more about the 2015 CEO Success Study, visit www.strategyand.pwc.com/ceosuccess. A copy of the global study, including findings by geography and industry are available from the media contact. Additional multi-media assets including infographics and video are also available.

About the 2015 CEO Success Study

Strategy& identified the world's 2,500 largest public companies, defined by their market capitalization (from Bloomberg) on January 1, 2015. We then identified the companies among the top 2,500 that had experienced a chief executive succession event in 2015 and cross-checked data using a wide variety of printed and electronic sources in many languages. For a listing of companies that had been acquired or merged in 2015, we used Bloomberg. In this year's report, we also look at the circumstances in which outsider CEOs are being hired, and the data on the characteristics of the companies that are hiring them.

About Strategy&

Strategy& is a global team of practical strategists committed to helping you seize essential advantage. We do that by working alongside you to solve your toughest problems and helping you capture your greatest opportunities. We bring 100 years of strategy consulting experience and the unrivalled industry and functional capabilities of the PwC network to the task. We are part of the PwC network of firms in 157 countries with more than 208,000 people committed to delivering quality in assurance, tax, and advisory services. To learn more about PwC's Strategy&, visit www.strategyand.pwc.com.

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